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ORACLE AGREES TO PAY \$98.5 MILLION FOR FALSE PRICING INFORMATION PROVIDED BY PEOPLESOFT TO OBTAIN GOVERNMENT CONTRACT

Firm Allegedly Misrepresented Its Discounting Practices

WASHINGTON – Oracle Corporation (Oracle) has agreed to pay the United States \$98.5 million to settle its liability for defective pricing disclosures made by PeopleSoft Inc. (PeopleSoft) during the negotiation of a contract under the General Services Administration (GSA) Multiple Award Schedule (MAS) program, Deputy Attorney General Paul J. McNulty, Assistant Attorney General Peter D. Keisler of the Justice Department's Civil Division, United States Attorney Rod J. Rosenstein of the District of Maryland, and GSA Inspector General Brian D. Miller, announced today. The settlement resolves allegations that PeopleSoft made pricing disclosures to GSA that were not current, accurate and complete concerning the sale of software licenses and related maintenance services. As a result of the defective disclosures, most federal purchasers under PeopleSoft's MAS contract paid inflated prices for purchases of software and services between March 17, 1997, and Sept. 30, 2005. Due to Oracle's acquisition of PeopleSoft, it inherited PeopleSoft's liability under the GSA contract.

"GSA's Multiple Award Schedule program serves vendors and government purchasers by eliminating red tape while insuring that government agencies get a fair deal for the American taxpayer's procurement dollars," said Deputy Attorney General McNulty. "The program works well when vendors follow the disclosure rules and provide GSA with the information it needs to negotiate good prices for government purchasers. This agreement demonstrates the Department's determination to hold vendors accountable for abusing GSA's trust and damaging its programs."

The payment is the largest ever obtained by the United States in a civil settlement under the False Claims Act involving the GSA's MAS program.

Under the MAS Program, vendors agree to disclose their commercial pricing policies and practices in exchange for an opportunity to gain access to the broad federal marketplace and the ease of administration that comes from selling to hundreds of government purchasers under one central contract. GSA regulations require that vendors seeking an MAS contract disclose their "current, accurate and complete" commercial pricing policies and practices to GSA during negotiations.

"I am proud of the collaborative efforts of the Commercial Litigation Branch, the U.S. Attorney's Office, the GSA Office of the Inspector General, and relator's counsel to protect the public fisc and strengthen the integrity of the federal procurement system," said Assistant Attorney General Keisler. "All companies that want to avoid their disclosure obligations while selling products to the United States government are on notice today that we will use the False Claims Act and all other civil legal tools at our disposal to fight fraud and abuse."

The lawsuit alleged that during PeopleSoft's negotiation of its initial contract and two extensions of the contract's term, PeopleSoft understated the discounts it provided to commercial customers. More specifically, the suit alleged that PeopleSoft failed to disclose the true nature of its multiple product discounting practice, a program that afforded buyers incrementally steeper discounts off list prices or software products based on the number of products purchased at one time. This, plus the use non-standard discounts, caused at least one 1994 customer to obtain discounts of up to 74 percent off the listed price. GSA relied on the faulty disclosures and negotiated MAS Program discounts for federal customers that were much less favorable than the total discounts PeopleSoft's best commercial customers enjoyed. As a result, federal agencies overpaid for software and related maintenance.

"Because PeopleSoft did not give GSA accurate pricing information, it negotiated higher prices for its products and services than it would have obtained if GSA had known the truth," said U.S. Attorney Rosenstein. "The substantial recovery in this case will help to ensure that vendors provide truthful information and the government pays a fair price for products and services."

GSA Inspector General Miller said, "I want to commend the outstanding work of the Department of Justice, U.S. Attorney Rod Rosenstein and his office, and the GSA IG team for bringing this matter to a successful conclusion. GSA's MAS contracting program – with sales of well over \$30 billion in the last fiscal year – depends on vendors' honesty in negotiations. PeopleSoft misled and overcharged the government for years. Without the auditors' specialized training and years of experience examining federal contracting arrangements, the wool would have remained over everyone's eyes and the taxpayers might have again taken a fleecing."

This case was filed under the *qui tam* or whistleblower provisions of the False Claims Act by James A. Hicks in the U. S. District Court for the District of Maryland. Mr. Hicks is a former employee of PeopleSoft and the conduct alleged in the *qui tam* suit predated Oracle's acquisition of PeopleSoft. Hicks will receive \$17,730,000 of the total recovery as his statutory award. Under the whistleblower provisions of the False Claims Act, private citizens known as "relators" can sue on behalf of the government to recover federal funds that were obtained by false or fraudulent claims, and receive a portion of the proceeds of a settlement or judgment awarded against the defendant.

The settlement resulted from an investigation by the Civil Division of the Department of Justice, the U.S. Attorney's Office for the District of Maryland, and GSA's Office of Inspector General.

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